

# MAGELLAN PETROLEUM AUSTRALIA LIMITED

ABN 62 009 728 581



## ADMINISTRATIVE OFFICE

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Company Announcements Office  
Australian Stock Exchange Limited  
Level 10, 20 Bond Street  
**SYDNEY NSW 2000**

The Manager,

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2005

This report is submitted by Magellan Petroleum Australia Limited in compliance with the ASX Listing Rule 5.2, and covers the quarter **1 July 2005 to 30 September 2005**.

This report is based upon, and accurately reflects, information compiled by a person who is a practising geologist, who holds a Bachelor of Science Degree in Geology, who has had a minimum of five years experience in the practice of geology and who is a full time employee of the Company.

## OIL & GAS SALES

### Natural Gas

The Company's share of natural gas produced for sale from the two Amadeus Basin fields (Mereenie and Palm Valley) during the quarter ended 30 September 2005 increased by 13.2 percent from the September 2004 quarter, as detailed below:

Field (Magellan Share)	Terajoules	Million Cubic Feet		Variance
		Total	Daily	
Mereenie	1,315	1,124.4	12.2	+34.1%
Palm Valley	639	561.6	6.1	-14.2%
<b>Total Gas</b>	<b>1,954</b>	<b>1,686.0</b>	<b>18.3</b>	<b>+13.2%</b>

**Crude Oil and Condensate**

The Company's share of crude oil and condensate produced for sale during the quarter ended 30 September 2005 decreased by 5.0 percent from the September 2004 quarter, as detailed below.

Fields (Magellan Share)	Kilolitres	Barrels		Variance
		Total	Daily	
Mereenie	4,946	31,107	338	- 9.9%
Nockatunga	1,439	9,054	98	+20.8%
Aldinga	169	1,062	12	- 20.7%
<b>Total Crude Oil and Condensate</b>	<b>6,554</b>	<b>41,223</b>	<b>448</b>	<b>- 5.0%</b>

**PRODUCTION AND EXPLORATION ACTIVITIES****AUSTRALIAN PRODUCTION****Palm Valley Gas Field, Amadeus Basin, NT (52.023% Interest)**

An additional 800 HP compressor has been ordered for the Palm Valley gas field, which will allow the wellhead pressures to be reduced progressively to a final wellhead pressure of 690 kPa in line with the Northern Territory Government approved wellhead pressure reduction program. Commissioning of the new compressor is scheduled for December 2005.

**Mereenie Oil and Gas Field, Amadeus Basin, NT (35% Interest)**

The Mereenie joint venturers commenced a well workover program that is expected to continue until early 2006. The program will involve a combination of remedial work, recompletions to increase oil and gas production, the fracture stimulation of two wells and the plugging and abandoning of five depleted wells.

**Nockatunga Oil Fields, Cooper Basin, Qld (40.936% Interest)**

The Nockatunga joint venture undertook a 3D seismic survey over parts of PL 33, PL 50 and ATP 267P in 2004 to more closely define multiple development well locations and near field exploration prospects. A multi-well development and exploration drilling program is scheduled to commence in November in the Nockatunga area.

**Aldinga Oil Field, Cooper Basin, SA (50% Interest)**

Production from the Aldinga-1 well is continuing at around 25 barrels of oil per day. There are no plans to develop the field further.

**AUSTRALIAN EXPLORATION**

In July 2005, Magellan entered into an agreement with Great Artesian Oil and Gas Limited to farm in to the Kiana-1 and Tyinga-1 wells in PEL 107 in the Cooper Basin, South Australia. Under the arrangement, Magellan would earn a 30% interest in any Production Licences granted in the event of a commercial discovery in return for funding Great Artesian's portion of the cost of the two wells.

The Kiana-1 well, under the operatorship of Beach Petroleum, spudded on 21 August and was drilled to a total depth of 2017 metres. The well discovered oil and gas in the Patchawarra Formation. Five Drill Stem Tests were conducted during drilling. DST-4 conducted over the interval 1939–1948 metres in the Patchawarra Formation flowed oil and gas at rates of 1,100 barrels of oil per day and 2.8 MMcf/D of gas through a ½" choke. The oil is 52.4 degrees API. No water was produced during the test.

The well was cased and completed for production from that zone as a free flow Patchawarra Formation oil and gas producer. A post completion rate, estimated to be at least 500 barrels of oil per day, with associated gas was recorded. This post completion rate represents an un-stabilised short duration clean up flow only. A short-term production test of the zone will be undertaken within the next month to evaluate the well's performance capacity and to plan the development of the field. Magellan will have a 30% interest in any Production Licence granted over the discovery.

The Tyinga-1 well spudded in PEL 107 on 23 September and was drilled to a total depth of 1972 metres. Tyinga-1 failed to encounter any commercially significant hydrocarbons and was plugged and abandoned. Consequently, Magellan earned no interest in the Tyinga area of PEL 107.

Magellan exercised an option under the farm in arrangement with Great Artesian Oil and Gas, and will participate in the drilling of the Udacha-1 well on the permit boundary of PEL 106 and PEL 91. Magellan will earn a 30% interest in any Production Licence granted in the event of a commercial discovery in return for funding Great Artesian's portion of the cost of the well. Subject to Magellan funding additional drilling in the PEL 107 and/or PEL 106 permits, Magellan has the further option to farm in for a 20% interest in the PEL 107 and/or PEL 106 permit areas.

Evaluation of PEL 94 (Magellan 35% interest), PEL 95 (Magellan 50% interest) and PEL 110 (37.5% interest), elsewhere in the Cooper Basin of South Australia, is ongoing. As noted in the report for the last quarter, Yanerbie-1 spudded in PEL 110 on 29 June and was drilled to a total depth of 2517 metres. The well failed to encounter commercially significant hydrocarbons and was plugged and abandoned. The rig was released on 15 July.

Magellan (100% interest) is evaluating the coal seam gas potential of the Burrum Coal Measures of the ATP 613P area in the Maryborough Basin, Queensland.

## **INTERNATIONAL EXPLORATION**

### **United Kingdom**

Northern Petroleum (Plc), operator of the PEDL 098 joint venture (Magellan 22.5% interest), spudded the Sandhills-2 well on the Isle of Wight licence in Southern England on 1 August 2005. The Sandhills-2 well reached a total depth of 1,317 metres MDKB. The primary objective, the Great Oolite Formation, was intersected low to prognosis; however, hydrocarbon shows were observed within the reservoir section. Wireline logs were acquired and analysis of the logs indicated low oil saturations across a 19 metre interval. The Joint Venture decided to drill a sidetrack well to evaluate the updip potential of the structure between Sandhills-2 and the 1982 Sandhills-1 well. Sandhills-2 was plugged back to the 9-5/8" casing shoe at 618 metres and sidetracked as Sandhills-2Z.

The Sandhills-2Z sidetrack well was drilled to a total depth of 1512 metres MDKB. Two cores were recovered in the Great Oolite Formation, and wireline logs were acquired. Analysis of the logs and geochemical analysis of oil obtained in the core of the Great Oolite section indicated that the oil column encountered in the Sandhills structure has been heavily biodegraded and hence not capable of economic production. Consequently, Sandhills-2Z was plugged and abandoned.

Magellan farmed out a 17.5% interest in the PEDL 098 and PEDL 113 licence to Northern Petroleum Plc and a 5% interest to Montrose Industries Ltd, both of whom contributed to funding Magellan's participation in the Sandhills-2 well. Magellan participated at 22.5% interest in the Sandhills-2Z sidetrack.

Magellan plans to participate in further drilling in Weald Basin permits PEDLs 125 and 126 in 2006. Well sites and planning consents are being obtained. These wells will also target the Great Oolite Formation and address both a possible extension of a currently producing oil field and bypassed oil pay opportunities.

Magellan holds interests in eleven other exploration licences in the Weald-Wessex Basin. Three of the areas are held and operated by Magellan with 100% interest and the other eight are operated by Northern Petroleum Plc, with Magellan's interests ranging from 12.5% to 50%.

### **New Zealand**

The Company holds a 100% interest in exploration permit PEP 38225 in the Great South Basin, offshore the South Island of New Zealand. Evaluation of this area is ongoing.

Following disappointing results from its five-well drilling program in the Taranaki Basin on the North Island, Magellan elected to withdraw from its remaining interests in PEP 38746 (25% interest), PEP 38765 (12.5% interest) and PEP 38766 (25% interest).

**FINANCE**

Expenditures incurred in Australia and overseas on exploration, appraisal and development activities during the June 2005 quarter, totalled \$3,311,000. All figures are unaudited.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'T.G. Davies', written in a cursive style.

**T.G. Davies,  
General Manager.**